

SECTION I: SUMMARY OF WORK FORCE RESTRUCTURING

I.1 Background

The onset of the Cold War between the United States and the Soviet Union after World War II led to the buildup of an elaborate network of research, production, and testing facilities known as the nuclear weapons complex. To meet nuclear weapons production requirements and other national security obligations, the Department of Energy (DOE) and its predecessor Agencies assembled an extensive contractor work force. The breakup of the Soviet Union in 1991, together with President George H.W. Bush's announcement of the first unilateral nuclear weapons reduction agreement on September 27, 1991, signaled the end of the Cold War and dramatically reduced the need for further nuclear weapons production.

The end of the Cold War also brought about fundamental changes in contractor work force requirements as DOE shifted from weapons production to other missions such as environmental management, weapons dismantlement, industrial competitiveness, and science and technology research. Faced with significant budget reductions and overstaffing problems, DOE began to restructure its work force.

During President George H.W. Bush's Administration, Secretary of Energy James Watkins issued DOE Order 3309.1A (now incorporated into DOE Order 350.1) establishing specific objectives to ensure fairness while reducing the contractor work force, including programs to minimize layoffs. In passing section 3161 of the National Defense Authorization Act for Fiscal Year 1993 (Public Law 102-484), the Congress mandated an explicit planning process involving affected stakeholders for all work force changes at defense nuclear facilities, and directed that the plans be guided by a fundamental objective: to mitigate the impacts on workers and communities, especially those whose service had helped maintain our nuclear deterrent force during the Cold War.

Section 3161 requires the Secretary of Energy to develop a plan for restructuring the work force for a defense nuclear facility whenever there is a determination that a change in the work force is necessary. This section also identifies objectives that each plan should address, including minimizing social and economic impacts; giving workers adequate notice of impending changes; minimizing involuntary separations; offering preference-in-hiring to the extent practicable to those employees involuntarily separated; providing relocation assistance under certain conditions; providing retraining, as well as educational and outplacement assistance; and providing local impact assistance to affected communities.

In response to the challenges posed by changing missions, and consistent with Departmental policy to apply the work force restructuring process at all sites undergoing significant work force changes, the Office of Worker and Community Transition (WT) was established in 1994. It was assigned responsibility for reviewing and evaluating work force restructuring plans from all sites

and overseeing the implementation of work force restructuring consistent with these plans and Departmental policy and guidance.

WT has issued planning guidance to field organizations tasked with drafting work force restructuring plans. This guidance addresses the need for plans to meet the objectives of section 3161 and offers guidelines for preparing and structuring these plans. In FY 1998, WT established a streamlined planning and approval process for work force restructuring activities. A copy of the current guidance is available on the WT website at <http://www.wct.doe.gov>.

I.2 Fiscal Year 2001 Work Force Restructuring Activity

Separations - Fiscal Year 2001. There were 2,288 management contractor team employees separated from DOE as a result of reduction-in-force actions. An additional 4,862 separations occurred through attrition. Of the reduction-in-force separations, 62 percent were voluntary and 38 percent involuntary (Exhibit I.1).

	Defense and Non-Defense Sites	FY 2001				
		Number of Workers	Enhanced Costs	Program Costs	Total Costs	Total Cost/Recip.
1.0	Voluntary Separations	6,281	\$6,948,053	\$37,564,688	\$44,512,741	\$7,087
1.1	Early Retirement	598	\$0	\$24,168,399	\$24,168,399	\$40,415
1.2	Non-Retirement Voluntary Separations (Severance Only)	821	\$6,948,053	\$13,396,289	\$20,344,342	\$24,780
1.3	Attrition	4,862	n/a	n/a	n/a	n/a
2.0	Involuntary Separations	869	\$68,410	\$11,733,591	\$11,802,001	\$13,581
2.1	With Benefits (Severance Only)	628	\$68,410	\$11,733,591	\$11,802,001	\$18,793
2.1.1	Non-Construction Workers	588	\$0	\$11,596,765	\$11,596,765	\$19,722
2.1.2	Construction Workers	40	\$68,410	\$136,826	\$205,236	\$5,131
2.2	Without Benefits	241	n/a	n/a	n/a	n/a
3.0	Work Force Restructuring Separations and Costs (Lines 1.0 + 2.0)	7,150	\$7,016,463	\$49,298,279	\$56,314,742	\$7,876
4.0	Remaining Affected Workers	601	\$0	\$0	\$0	\$0
4.1	Workers Placed Internally Without Retraining	416	n/a	n/a	n/a	n/a
4.2	Workers Placed Internally Through Retraining Programs	0	\$0	\$0	\$0	\$0
4.3	Workers Transferred to Other Sites	185	n/a	n/a	n/a	n/a
5.0	Other Benefits Provided	n/a	\$1,967,500	\$2,083,680	\$4,051,180	n/a
5.1	Displaced Worker Medical Benefits	808	\$473,218	\$1,662,607	\$2,135,825	\$2,643
5.2	Relocation Assistance	17	\$59,287	\$0	\$59,287	\$3,487
5.3	Separating or Separated Workers Using Outplacement	1,658	\$888,203	\$398,769	\$1,286,972	\$776
5.4	Education Assistance for Separated Workers	382	\$546,792	\$22,304	\$569,096	\$1,490
6.0	Total Costs for Fiscal Year 2001	n/a	\$8,983,963	\$51,381,959	\$60,365,922	n/a
7.0	Work Force Restructuring Separations (Average Cost) ¹	7,150	n/a	n/a	n/a	\$8,566
8.0	Non-Retirement Voluntary Separations (All Benefits) ¹	821	n/a	n/a	n/a	\$28,185
9.0	Involuntary Separations (All Benefits) ¹	628	n/a	n/a	n/a	\$22,198

¹ Includes historical average cost of other benefits per recipient.

Exhibit I.1 Work Force Restructuring Summary for All Sites (Defense and Non-Defense)

Costs - Fiscal Year 2001. The total work force restructuring cost incurred was \$60.4 million. The estimated fully-burdened cost per non-retirement voluntary separation was \$28,185 and \$22,198 for involuntary separation (Exhibit I.1). A fully-burdened cost per voluntary or involuntary separation is calculated by taking the average severance/incentive cost and adding a per capita historical average cost for other benefits of \$3,405. The fully-burdened cost for all separations uses a prorated historical average based on the ratio of separated workers eligible for benefits.

Enhanced Benefits - Fiscal Year 2001. To comply with section 304 of the Energy and Water Development Appropriations Act for Fiscal Year 1998 (and succeeding years), separation costs have been broken out by enhanced benefits, which have been paid by WT, and program benefits, which have been paid by the responsible program office. For the most part, enhanced benefits include relocation assistance, outplacement assistance, educational assistance, and enhanced severance pay. Contract severance pay and displaced worker medical benefits are typically covered by the program offices. The cost of outplacement assistance may be considered a program cost if outplacement has been part of an ongoing corporate benefit.

Fifteen percent, or nearly \$9 million of the \$60.4 million total separation costs, involved enhanced benefits costs funded by WT. The remaining 85 percent, or \$51.4 million, were funded by the various responsible program offices (Exhibit I.1).

Cost Savings - Fiscal Year 2001. The estimated annual cost savings associated with the 2,288 contractor employees separated through reduction-in-force actions are \$184 million. This calculation uses the total annual employee compensation average of \$80,424 for salary and benefits. This average is based on historical data and adjusted for inflation.

I.3 Changing Separation Patterns

Fiscal Year 1993 - Fiscal Year 2001. Work force restructuring plans coupled with mission changes, contract reforms, and budget cuts helped reduce the number of employees to the current level of 97,695 (Exhibits I.2, I.3).

Fiscal Year*	Early Retirement	Non-Retirement Voluntary Separations	Involuntary Separations	Reduction in Force Separations	Attrition*
1993/94	21%	55%	24%	5,159	1,502
1995	21%	50%	29%	12,942	5,822
1996	13%	41%	46%	7,433	4,332
1997	10%	32%	58%	5,361	1,639
1998	2%	33%	65%	2,571	457
1999	8%	37%	55%	1,476	364
2000	14%	50%	36%	2,193	667
2001***	26%	36%	38%	2,288	4,862

* Due to some revisions, numbers may differ from those published in prior reports.

** Net attrition was used for fiscal years 1997, 1998, 1999, 2000.

*** Nevada Test Site included only Bechtel Nevada; Oak Ridge Complex did not include Bechtel Jacobs subcontractors; Savannah River Site included only Westinghouse Savannah River Company, Bechtel Savannah River Inc., British Nuclear Fuels Ltd., BWXT-SR.

Exhibit I.2 Contractor Separations, Fiscal Years 1993-2001

SITE	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Fernald	1,509	1,122	1,128	1,203	1,489	2,412	2,385	2,203	1,986	1,989	1,977	1,907	1,754	1,653
Hanford Site	11,449	11,683	12,730	14,127	15,107	16,062	16,952	13,757	12,099	11,330	10,984	10,908	10,410	11,018
INFFI	5,773	6,510	7,548	7,988	7,901	7,810	7,524	6,084	5,739	5,868	5,743	6,057	6,244	5,555
Kansas City Plant	6,946	6,829	6,414	5,497	4,489	4,170	3,289	3,563	3,661	3,679	3,256	3,106	2,979	3,043
Livermore	8,007	8,042	8,042	8,158	7,981	8,014	7,321	7,372	6,688	6,403	6,608	6,668	6,488	6,613
Los Alamos	7,442	7,667	7,402	6,992	7,203	7,293	7,024	6,708	6,439	6,687	7,009	7,279	7,019	7,094
Mound	2,219	2,150	2,149	2,150	1,741	1,713	1,337	1,122	924	740	708	729	715	522
Nevada Test Site ¹	8,035	7,996	7,713	7,390	6,670	5,548	5,068	3,940	2,765	2,345	2,515	2,622	2,501	2,356
Oak Ridge ²	15,651	15,965	15,934	17,200	17,257	17,437	17,215	16,580	15,815	14,046	13,573	12,831	12,952	10,784
Pantex Plant	2,627	2,573	2,390	2,492	2,673	3,020	3,230	3,348	3,327	2,920	2,856	2,840	2,764	3,005
Pinellas Plant	1,710	1,698	1,667	1,618	1,569	1,100	1,007	669	538	5	0	0	0	0
Rocky Flats	5,275	5,312	6,415	7,521	7,302	7,505	6,698	4,418	3,535	3,410	3,166	3,138	3,014	2,577
Sandia	8,372	8,432	8,705	8,804	8,473	8,477	8,458	8,527	8,057	7,576	7,501	7,657	7,461	7,686
Savannah River ³	10,629	16,403	17,663	20,185	20,979	19,788	18,922	15,430	14,379	13,231	13,082	12,918	12,740	12,103
WIPP	375	506	603	714	775	799	735	640	636	636	613	625	666	664
SUBTOTAL	96,019	102,888	106,503	112,039	111,609	111,148	107,165	94,361	86,588	80,865	79,591	79,285	77,707	74,673
Other Sites	31,012	29,277	34,086	33,574	37,077	30,436	28,932	27,500	25,401	24,432	23,420	23,398	23,149	23,022
GRAND TOTAL	127,031	132,165	140,589	145,613	148,686	141,584	136,097	121,861	111,989	105,297	103,011	102,683	100,856	97,695

¹In FY 2001 only includes Bechtel Nevada.

²In FY 2001 Bechtel Jacobs subcontractors are no longer included.

³In FY 2001 only includes Westinghouse Savannah River Company, Bechtel Savannah River Inc., British Nuclear Fuels Ltd., BWXT-SR.

Note: Management contractor team is comprised of those prime contractors performing defense and certain non-defense work that historically was done under a management and operating contract. At some sites, subcontractors are also included.

Exhibit I.3 DOE Management Contractor Team Employment at Selected Sites, Headcount by Fiscal Years 1988-2001

I.4 Separation Costs and Cost Savings

The purpose of work force restructuring is to increase the cost-effectiveness and efficiency of DOE-wide site operations by matching skilled employees with mission requirements. To achieve this result, prime contractors must separate or retrain workers whose skills no longer match mission needs. Sites employ a variety of means to minimize the economic and social impacts of voluntary and involuntary separations. These include early retirement incentives, enhanced severance for non-retirement voluntary separations, medical benefits extensions, outplacement services, and educational assistance. The costs associated with providing these benefits are offset by savings realized from restructuring the work force.

Annual Cost Savings. Annual cost savings associated with work force reductions are based on the cost savings realized by DOE when current compensation costs are compared with the cost that would have been incurred if prime contractor employment remained at the peak level of 148,686 reported in FY 1992. The average compensation cost includes salary and benefits; in FY 1993, it was estimated at \$61,000 per contractor employee. To better approximate compensation costs through FY 2001, this figure has been inflated to reflect the average change in wages and benefits over that time frame. Thus, it is estimated that the average FY 2001 compensation cost would be \$80,424 per employee. As a result, the 50,000-plus decrease in the work force since the peak level in FY 1992, represents a potential annual cost savings of prime contractor employee salaries of about \$4.1 billion (in today's dollars).

I.5 Mitigating Restructuring Impacts

DOE employs a number of measures to mitigate the impacts of work force restructuring, especially the impacts of involuntary separation. Several measures have been used successfully to limit the need for separations. These include placing at-risk workers in other positions by transferring workers to other sites with available positions created by changing missions or attrition. Additionally, sites can offer displaced workers medical benefits, relocation assistance, a variety of outplacement services, and educational assistance.

Placement. In FY 2001, 416 workers were internally placed without retraining. An additional 185 workers were transferred to other sites.

Medical Benefits. In 1992, then Secretary of Energy James Watkins directed that all prime contractor employees separated from DOE sites, and not otherwise eligible for another medical program, would be eligible for displaced worker medical benefits. Under this program, employees continue to participate in their former employer's medical program, but at a cost to the participant that increases over time. During the first year, the participant contributes the same amount as when employed by the contractor. In the second year, the employee pays one-half the applicable Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) rate. In the third and subsequent years, the employee pays the full COBRA rate.

Medical benefits coverage was used by 808 employees in FY 2001 at a total cost of \$2.1 million, for an average cost of \$2,643. Recipients of displaced worker medical benefits may have separated in prior years.

Relocation Assistance. DOE offered relocation assistance to separated prime contractor employees to help them relocate to jobs at other DOE sites where such costs are not normally reimbursed. In FY 2001, 17 employees took advantage of this benefit at a total cost of \$59,287, or \$3,487 per recipient.

Outplacement Services. All Department facilities included in this report have access to outplacement services to assist separated employees in finding new employment either within or outside DOE. Some sites use consultants or subcontractors to provide such services, while others use in-house contractor staff. Some centers are staffed with job counselors, state employment services personnel, and employee assistance counselors to help separated employees locate possible new employment, prepare resumes, and accommodate personal and family concerns resulting from their separations. Services often include automated job listings, skills assessments, workshops, resource libraries, clerical help, job fairs, and resume distribution. Just over 1,600 employees used outplacement services in FY 2001 at a total cost of \$1.3 million, averaging \$776 per employee.

Educational Assistance. Employees, whether voluntarily or involuntarily separated, were often eligible to receive financial assistance of up to \$10,000 per employee over a 4-year period. Educational assistance was used by 382 employees in FY 2001 at a cost of \$569,096, or \$1,490 per employee. Recipients of educational assistance benefits may have separated in prior years.

I.6 Community Transition Overview

DOE's community transition program is designed to minimize the social and economic impacts of work force restructuring on communities surrounding DOE facilities. The program encourages the affected communities to chart their own economic future through the creation of community reuse organizations (CROs), similar to the Department of Defense's (DoD's) Local Reuse Authorities created to assist communities affected by military base closures.

The community transition program was initiated in 1993, with most job and business development activities starting in 1994 or later. Initial program guidance was developed in the spring and summer of 1993, shortly after the formation of DOE's Task Force on Worker and Community Transition. In the intervening period, the program has evolved through an extensive process of stakeholder and public involvement. The *Draft Policy and Planning Guidance for Community Transition Activities* was published in the *Federal Register* on February 7, 1997, and updated in October 1999 and June 2001. The guidance clarifies the roles and responsibilities of

Headquarters, field organizations and the CROs. In addition, the criteria for funding performance measures for projects are established.

Current Funding Activities. Since 1993, approximately \$266 million have been committed complex-wide to community transition activities, with \$217 million actually being spent as of September 30, 2001. To date, 15 communities have received community transition assistance (Exhibit I.4).

Site	WT 3161 Funds Committed	Other DOE Funds Committed	Total DOE Funds Committed	Funds Spent	Jobs Created or Retained (Reported)	Cost Per Job Created	Jobs Created or Retained By 2005 (Est.)
Albuquerque	\$1,150,000	\$0	\$1,150,000	\$858,390	591	\$1,452	2,010
Carlsbad	\$2,645,000	\$250,000	\$2,895,000	\$2,745,000	600	\$4,575	1,350
ENIPC	\$75,000	\$0	\$75,000	\$75,000	0	\$0	0
Fernald	\$460,281	\$0	\$460,281	\$460,281	0	\$0	1,150
Hanford Site	\$21,181,735	\$262,000	\$21,443,735	\$18,376,136	1,966	\$9,347	4,316
Idaho	\$35,875,000	\$0	\$35,875,000	\$19,412,251	5,085	\$3,818	9,384
Los Alamos	\$11,356,397	\$1,010,381	\$12,366,778	\$11,037,899	743	\$14,856	3,191
Mound	\$24,500,000	\$200,000	\$24,700,000	\$13,926,986	561	\$24,825	1,130
Nevada	\$14,656,000	\$632,417	\$15,288,417	\$14,609,725	1,845	\$7,919	3,273
Oak Ridge	\$56,059,000	\$0	\$56,059,000	\$55,543,241	5,101	\$10,889	6,267
Paducah	\$8,400,000	\$0	\$8,400,000	\$6,175,492	294	\$21,005	739
Pinellas	\$20,217,220	\$100,000	\$20,317,220	\$18,895,000	2,907	\$6,500	3,510
Portsmouth	\$13,450,000	\$0	\$13,450,000	\$9,398,795	711	\$13,219	2,909
Rocky Flats	\$500,000	\$0	\$500,000	\$500,000	0	\$0	0
Savannah River	\$21,624,000	\$30,968,805	\$52,592,805	\$45,236,757	7,094	\$6,377	12,833
Totals	\$232,149,633	\$33,423,603	\$265,573,236	\$217,250,953	27,498	\$7,901	52,062

**Exhibit I.4 Summary of Community Transition Funding and
Job Creation Statistics, Fiscal Years 1993-2001**

Job Creation. From FY 1993 through September 30, 2001, the community transition program has helped communities create or retain 27,498 jobs at an average cost of \$7,901 per job. By the end of FY 2005, community assistance funding provided by DOE is expected to create or retain a total of 52,062 jobs.

Job Creation Benchmark. DOE's community transition program is comparable to DoD's base closure activities. Both Departments face the challenge of stimulating local growth to replace jobs lost as the result of site closure and downsizing. DOE's experience of creating one job for \$7,901 compares favorably with other Federal and State Agencies. DOE's *Draft Policy and Planning Guidance for Community Transition Activities* establishes an evaluation criterion for community proposals to create at least one job for at cost between \$10,000 to \$25,000 in federal funding.

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